

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3830-03
Bill No.: HCS for HB 1479
Subject: Emergencies; Health Care; Health, Public; Hospitals; Tobacco Products.
Type: Original
Date: March 4, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Emergency Preparedness Resource Fund*	\$91,810,971	\$216,747,602	\$214,537,870
General Revenue	(\$104,130)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$91,706,841	\$216,747,602	\$214,537,870

* Assumes passage of cigarette tax increase by voters in November, 2002 general election.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Kansas City Election Board (KCEB)** stated that the proposed legislation does not appear to create election duties. However, if the tax envisioned were to be voted on in the Jurisdiction of the KCEP, the costs to the State could vary. A single issue, special election is costing around \$220,000 in Kansas City at the present time. An April election in an even-numbered year is costing about \$250,000, of which the State would pay a pro-rata share of something around 1/5th or \$50,000. An August or November election in an even-numbered year is costing about \$260,000, of which the State pays nothing. In all cases, the State would pay “direct” costs, i.e. legal notices of a few thousand dollars.

Officials from the **Office of State Treasurer, Department of Revenue and Department of Social Services** assume the proposed legislation will not fiscally impact their organizations.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** provided the following assumptions related to the proposed legislation:

Assumptions/Methodology

The estimation methodology involves estimating the future demand for cigarettes in Missouri. This demand will be affected by:

- The effectiveness of anti-tobacco programs funded by Tobacco Settlement proceeds.
- The price induced decline in demand caused by an excise tax increase.
- The impact of state excise tax differentials.

Assumptions:

1. The base year is Fiscal Year 2002. It is assumed that Fiscal Year 2002 will increase by 0.3% which is the growth rate through January 31, 2002.
2. Beyond Fiscal Year 2002, demand will decline 1% per year, independent of enhanced anti-smoking efforts. This has been the general trend.
3. Enhanced funding for anti-tobacco programs will reduce cigarette demand by 2% each year beginning for Fiscal Year 2003 through Fiscal Year 2005.
4. The price induced reduction in demand will be 6% each year for Fiscal Year 2003 (after 1-1-03) through Fiscal Year 2005. This assumes that a 41 cent tax increase will result in a retail price increase on the order of 15%. The price elasticity of demand is assumed to be -0.4%. This is a composite result corroborated by many scholarly studies.
5. Missouri's current tax of 17 cents per pack is below that of our main contiguous states.

ASSUMPTION (continued)

Should Missouri's tax increase to 58 cents, some additional decline in demand is likely. No explicit adjustment for this is made, however.

The BAP estimates revenue from the 41 cent increase to be \$92.1 million for FY 03 (based on 5 months and an effective date of 1-1-03), \$217.2 million for FY 04, and \$215.0 million for FY 05.

Officials from the **Department of Health and Senior Services (DOH)** provided the following assumptions as they pertain to the impact of the proposed legislation on the **Division of Environmental Health and Communicable Disease Prevention**:

Costs are reflected to expand the high alert biological, chemical and radiological surveillance system in the DOH for early detection and control of possible terrorism events over extended periods of time and multiple events. The fiscal note reflects the cost for additional staff and equipment needed to run the system efficiently and effectively and communicate threats to health care providers, the media, the public, and those other agencies and entities participating in the response. Six additional FTEs would be needed: 1) a Computer Information Tech. III would provide the means to visually assess large quantities of information related to the event through GIS (Geographic Information Systems) and relate the information that would be undertaken for a biological emergency, 2) a Planner III would provide overall coordination for surveillance, assure policy management and strategic planning, 3) a HPR II would assist with implementation and management of response systems to assure ongoing preparedness, 4) an Environmental Public Health Specialist III would assure ongoing response to chemical indoor air threats, 5) a Research Analyst would assure rapid analysis of surveillance data and rapid identification and response to any event, and 6) a Health Educator would keep teams made up of physicians, local responders, etc. trained and educated.

The following assumptions are used in determining how this legislation would impact the DOH **Director's Office**:

1. The "comprehensive evaluation of Missouri's emergency preparedness" includes the assessment of local emergency planning committees (LEPCs) as well as state preparedness. There are 89 LEPCs in Missouri.
2. There will be three members on the team. The team members will be a planner, emergency management officer, and a SEMA representative.

In summary, the proposed legislation would result in costs to the DOH for six (6) FTE and expense and equipment, totaling \$475,816 for FY 03, \$497,895 for FY 04, and \$511,035 for FY 05.

ASSUMPTION (continued)

Oversight notes the DOH's costs for the proposed legislation are similar to costs included in the DOH's FY 2003 Budget as a New Decision Item submitted for Biological, Chemical and Radiological Surveillance.

Oversight also notes the cigarette tax increase proposed in the legislation is subject to the approval of the voters. **Oversight** assumes passage of the tax for fiscal note purposes in the November, 2002 election and has adjusted DOH's proposed costs accordingly.

Officials from the **Department of Mental Health (DMH)** stated the DMH may be called upon to provide treatment and educational services for tobacco related issues. It is not possible to say how much such programming would cost since these programs have not been "delineated" at this time. Further, the bill does not stipulate that the DMH would receive funding for mental health services resulting from a declared emergency, although it should be noted that mental health response capacity is an important service to those directly affected by a terrorist event.

Officials from the **Office of the Secretary of State (SOS)** state this bill creates the "emergency preparedness resource fund," which provides for programs that administer supplemental reimbursement to medical services providers, creates a trauma registry, provides for the construction and equipping of a new stated public health lab, creates a team to evaluate preparedness and research. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health and Senior Services and Department of Social Services could require as many as 50 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$3,075 [(50 pp x \$27) + (75 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the SOS also stated election costs associated with the proposed legislation will be approximately \$104,130.

ASSUMPTION (continued)

Oversight assumes the cigarette tax issue would be voted on and approved by the voters during the general election held in November, 2002 and become effective January 1, 2003. However, if the Governor decided to call a special election, the costs associated with the proposed tax issue would be greater than those reflected in the fiscal note.

Officials from the **Boone County Clerk's Office, Barton County Memorial Hospital, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center,**

Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, and Ste. Genevieve County Memorial Hospital did not respond to our request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**EMERGENCY PREPAREDNESS
 RESOURCE FUND***

<u>Income - Department of Revenue</u>			
Cigarette Tax	<u>\$92,100,000</u>	<u>\$217,200,000</u>	<u>\$215,000,000</u>
Total <u>Income</u> - Department of Revenue	<u>\$92,100,000</u>	<u>\$217,200,000</u>	<u>\$215,000,000</u>

<u>Costs - Department of Health and Senior Services</u>			
Personal Service Costs (6 FTE)	(\$116,544)	(\$244,889)	(\$251,011)
Fringe Benefits	(\$41,967)	(\$88,185)	(\$90,389)
Equipment and Expense	<u>(\$130,518)</u>	<u>(\$119,324)</u>	<u>(\$120,730)</u>
Total <u>Cost</u> - Department of Health and Senior Services	<u>(\$289,029)</u>	<u>(\$452,398)</u>	<u>(\$462,130)</u>

NET ESTIMATED EFFECT ON EMERGENCY PREPAREDNESS RESOURCE FUND*	<u>\$91,810,971</u>	<u>\$216,747,602</u>	<u>\$214,537,870</u>
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* Assumes passage of the cigarette tax increase during the November, 2002 election.

GENERAL REVENUE

<u>Costs - Office of Secretary of State</u>			
Election Costs	<u>(\$104,130)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Cost</u> - Secretary of State	<u>(\$104,130)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$104,130)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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FISCAL IMPACT - Local Government

FY 2003
(10 Mo.)
\$0

FY 2004
\$0

FY 2005
\$0

FISCAL IMPACT - Small Business

The proposed legislation could have an impact on small businesses as it could affect cigarette sales. The estimated net effect is unknown.

DESCRIPTION

This substitute creates a 41-cent tax per pack on cigarettes to fund the Emergency Preparedness Resource Fund. The substitute creates the Emergency Preparedness Resource Act and establishes the Emergency Preparedness Resource Fund to be administered by the Department of Social Services and the Department of Health and Senior Services. Fifteen percent of the money in the fund must be used for health programs for women and minorities.

The Department of Social Services is allocated 21 cents of the tax to use to supplement uncompensated treatment and Medicaid payments to hospitals and doctors for trauma treatment and other services.

The Department of Health and Senior Services is allocated five cents of the tax to use for various emergency preparedness services, including: (1) An evaluation of the state's emergency preparedness status; (2) Training programs and research; (3) Disease surveillance and detection activities; (4) A study of the state's trauma death rate; (5) A trauma registry to improve the state's ability to analyze the efficiency and effectiveness of the trauma care system; and (6) Health sciences research in identifying, DESCRIPTION (continued)

preventing, and treating illnesses or injuries caused by nuclear, biological, or chemical substances that have a potential use in the crimes of causing catastrophe or making a terrorist threat.

The substitute allocates fifteen cents of the tax for a comprehensive tobacco cessation, education, and treatment program, based on the Centers for Disease Control and Prevention's nine component tobacco control programs. It also directs one cent of the tax to be placed in a fund to cover future reductions in revenues as a result of the smoking cessation program

The substitute contains a referendum clause, placing the bill on the November, 2002 ballot.

This legislation is not federally mandated and would not duplicate any other program.

SOURCES OF INFORMATION

Kansas City Election Board
Office of Administration - Division of Budget and Planning
Office of State Treasurer
Department of Social Services
Department of Mental Health
Office of Secretary of State
Department of Revenue

NOT RESPONDING: Boone County Clerk's Office, Barton County Memorial Hospital, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, and Ste. Genevieve County Memorial Hospital



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